Committee on Ways and Means Democrats

Representative Charles B. Rangel - Ranking Democratic Member

Issue Brief – January 18, 2006

A Wolf in Sheep's Clothing –

Welfare Provisions in Budget Prove Harsh Upon Close Review

Summary:

Embedded in the enormous budget reconciliation bill soon to be voted on again by the House of Representatives are significant welfare-related changes that could dramatically reduce assistance to our nation's most disadvantaged families. Contrary to suggestions that the proposed revisions to the Temporary Assistance for Needy Families (TANF) program represent a modest rebenchmarking of current requirements, the bill would force significant and often counterproductive changes in current efforts to move welfare recipients into the workforce.

While the TANF section in the reconciliation bill (S. 1932) drops certain contentious provisions from past GOP welfare proposals (including an increase in the amount of required work hours), it adds other problematic provisions not seen in previous bills. For example, unlike past proposals, the reconciliation TANF provisions: (1) have no phase-in period; (2) apply even to programs administered with no federal money; and (3) specifically call for regulations further limiting State flexibility. Combining these new features with both a substantial increase in the TANF work requirements and a revised credit for reducing welfare caseloads could push States in a dangerous direction.

In short, the proposal will pressure States to either cut families off assistance without moving them into employment (to evade the increased work rates through the new caseload reduction credit), or to reduce child care aid for low-income parents who are already working (to offset the cost of complying with the new work requirements for families receiving TANF). This means the bill's higher work rates may actually discourage States from promoting real, wage-paying employment.

Nearly Immediate Implementation:

Unlike prior TANF proposals, the new requirements in the budget reconciliation bill will take place next fiscal year, with no phase-in period.[1] States will therefore be pushed to implement drastic changes to meet substantially higher work participation rates in less than nine months.

According to an analysis by the non-partisan Congressional Research Service (CRS), 46 States would face an increased work participation rate under TANF, with some States required to more than triple the number of welfare recipients in work activities (Arizona, Georgia, Maryland, Massachusetts, Oregon, Pennsylvania, Tennessee, and West Virginia). (See table on final page.)

Because the legislation allows States to partially avoid these new work requirements by reducing their welfare caseloads, it will encourage them to deny assistance to needy families without regard to whether they have secured employment. The budget bill's "recalibration" of the current caseload reduction credit is contrary to proposals from Senate Republicans, House and Senate Democrats, and even President Bush – all of which recommended replacing the caseload reduction credit with an employment credit. Such an approach would have encouraged States to focus on moving welfare recipients into jobs, rather than simply cutting caseloads. Instead, the pending legislation super-charges the incentive to cut people off assistance without regard to employment by counting only caseload declines that occur after fiscal year 2005.

Even if States attempt to comply with the new work requirements without arbitrarily cutting their welfare caseload, the pending proposal could still hamper efforts to promote wage-paying work. The Congressional Budget Office estimates it will cost the States$8.4 billion over the next five years to comply the requirements through the establishment of new work programs and the provision of additional child care assistance. But the proposal does not provide any new funds for work programs, nor does it allow child care funding to even maintain pace with the inflation (see table on final page.) Therefore, States could feel compelled to reduce child care assistance for low-income, *working* families who have left or have never been on welfare, in order to fund new make-work programs and provide more child care for welfare recipients.

Application to Programs Funded Solely with State Money:

Unlike nearly every past TANF proposal, Republican and Democratic alike, the budget reconciliation bill would impose Federal work requirements on Separate State Programs (SSPs), which receive no federal funds. States have used these SSPs to serve certain populations that are adversely affected by federal welfare requirements.

For example, at least 21 States have established separate programs to serve all or most two-parent families because the work rates for serving such families within the TANF program are excessive.[2] According to CRS, none of these programs come within even 20 percentage points of meeting the TANF two-parent work requirement.

Recognizing the disincentive to serve two-parent families within TANF, past Republican and Democratic proposals have sought to reduce the program's two-parent work rate. In direct contrast, the budget reconciliation bill not only retains the current two-parent requirements, but it also applies them to SSPs. <u>Such a step could drastically discourage States from serving two-parent families, and by extension devalue marriage</u>.

New Regulations to Further Reduce State Flexibility:

The budget legislation specifically requires the Secretary of Health and Human Services (HHS) to promulgate new TANF regulations by June 30, 2006, on what activities may count towards the federal work requirements, as well as on how to document and verify participation. The legislation allows HHS to make these regulations final immediately (before any public comment).

States currently have some discretion in determining which activities count toward certain federal requirements. For example, some States count caring for a disabled family member as a community service activity, some count substance abuse treatment or domestic violence counseling as a job readiness activity, and some count English-as-a-second-language instruction as education directly related to employment.

Given past pronouncements from the Bush Administration on the issue of work requirements, it seems likely that future regulations from HHS could significantly limit State discretion in determining what activities count toward federal requirements. This may lead to two outcomes. First, welfare recipients could have diminished access to a variety of activities that remove obstacles to employment. And second, <u>the new work participation rates required of States will be that much higher because some activities they now count will no longer be permitted</u>. Even the few States that meet the current work rates mandated under the bill may therefore still be required to increase participation.

Conclusion:

The welfare proposal in the budget reconciliation bill sends the wrong message and provides the wrong incentives to our States. It promotes caseload reduction at the expense of poverty reduction, and it advances make-work programs instead of wage-paying employment.

1. Past Republican TANF proposals, including HR 240, phased-in the recalibration of the caseload reduction credit and the resulting higher work requirements over a four-year period.

2. TANF requires that 90% of two-parent families be engaged in work activities.

Percent Increase in TANF Work Requirements and Percentage Change in Child Care Funding as Required in the Budget Reconciliation Bill (S. 1932)

State	Percent increase in participating families to meet higher TANF work requirement	Percent change in child care funding from FY05 available funds to funding in FY07 (in FY05 dollars)
Alabama	+34.5%	-2.4%
Alaska	**+36.4%**	**-3.9%**
Arizona	+235.3%	-1.4%
Arkansas	**+92.9%**	**-2.4%**
California	+86.7%	-3.2%
Colorado	**+48%**	**-1.8%**
Connecticut	+78.9%	-0.8%
Delaware	**+140%**	**-2.3%**
District of Columbia	+113.6%	-4.6%
Florida	**+43.1%**	**-2.6%**
Georgia	+324.1%	-2.1%
Hawaii	**+50%**	**-2.4%**
Idaho	**	-1.9%
Illinois	**0%**	**-2.6%**
Indiana	+8.8%	-1.3%
Iowa	**+10.7%**	**-2.7%**
Kansas	+38.7%	-2.5%
Kentucky	**+52.9%**	**-3.2%**
Louisiana	+38.7%	-2.4%
Maine	**+84.2%**	**-3.2%**
Maryland	+370.6%	-1.7%
Massachusetts	**+428%**	**-4%**
Michigan	+98%	-3.2%
Minnesota	**+84.5%**	**-2.1%**
Mississippi	+193.3%	-2.5%
Missouri	**+80.5%**	**-2.2%**
Montana	+40%	-1.8%
Nebraska	**+81%**	**-2.5%**
Nevada	+100%	0.2%
New Hampshire	**+63.6%**	**-0.4%**
New Jersey	+45.8%	-2%
New Mexico	**+14.6%**	**-3.4%**
New York	+22%	-3.5%
North Carolina	**+68.9%**	**-3.3%**
North Dakota	+100%	-1.7%
Ohio	**0%**	**-2.9%**
Oklahoma	+75%	-3.1%
Oregon	**+215.4%**	**-2%**
Pennsylvania	+313.2%	-3.2%
Puerto Rico	**+610%**	**-5.2%**
Rhode Island	+116.7%	-3.2%
South Carolina	**+63.6%**	**-1.6%**
South Dakota	**	-1%
Tennessee	**+279.7%**	**-3%**
Texas	+57.8%	-1.2%
Utah	**+56.3%**	**-1.5%**
Vermont	+137.5%	-3.6%
Virginia	**+72.9%**	**-1.3%**
Washington	+11.1%	-3.6%
West Virginia	**+238.5%**	**-3.2%**
Wisconsin	0%	-3.8%
Wyoming	**0%**	**-1.5%**

*** Difference is less than 100. Because of small sample sizes, percentages are not shown for differences of less than 100.*

Prepared by the Democratic Staff of the Committee on Ways and Means, using data provided by the Congressional Research Service (CRS), on 1/12/06.